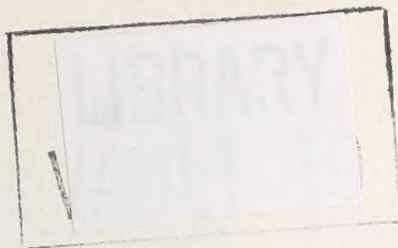


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FIFTY-THIRD ANNUAL REPORT, 1964-1965



ALBERTA GOVERNMENT TELEPHONES

ALBERTA GOVERNMENT TELEPHONES COMMISSION



E. L. Harrison
Chief Engineer

W. D. Mallen
General Plant
Manager

R. G. Ades
Director of
Finance

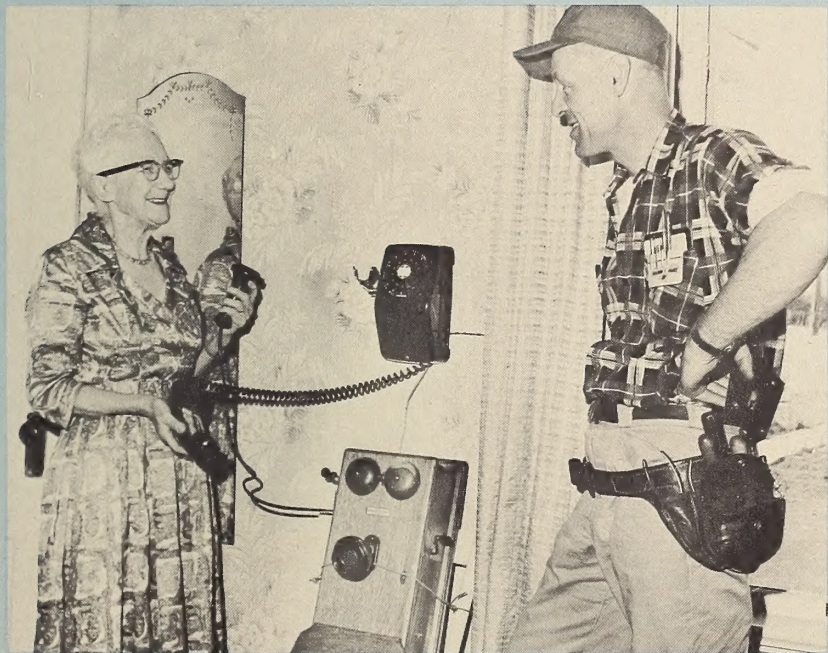
J. W. Dodds
General
Manager

Honorable
Raymond
Reiersen
Chairman and
Minister of
Telephones

C. L. Keatley
Director of
Personnel and
Public Relations

R. E. Young
Assistant
General
Manager and
Director of
Operations

53rd ANNUAL REPORT
YEAR ENDED MARCH 31, 1965



HIGHLIGHTS DURING THE YEAR

1964-65

PLANT EXPANSION AMOUNTED TO \$29 MILLION.

DDD WAS EXTENDED TO CALGARY, BANFF,
AND THE SURROUNDING CDO's.

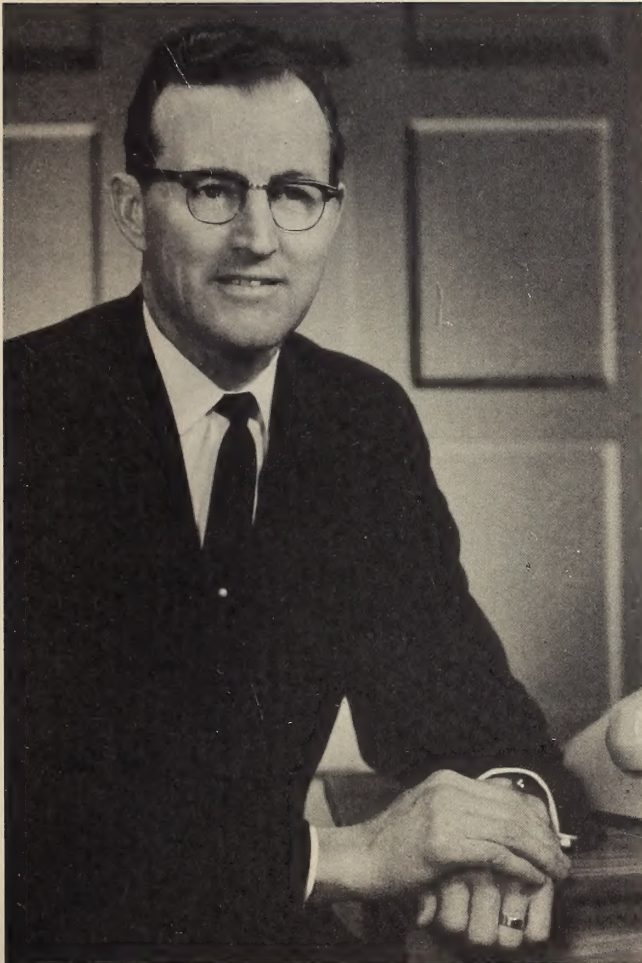
A HEAVY ROUTE MICROWAVE SYSTEM WAS
UNDER CONSTRUCTION FROM THE NORTH
TO THE U.S., AND A LIGHTER SYSTEM WAS
COMPLETED TO THE FORT McMURRAY
TAR SANDS AREA.

DIAL CONVERSION TOOK PLACE IN 37 CENTERS.

MORE THAN 24 MILLION LONG DISTANCE
CALLS WERE COMPLETED.

NET INCOME AMOUNTED TO \$206,316.39.

A MESSAGE FROM THE MINISTER OF TELEPHONES



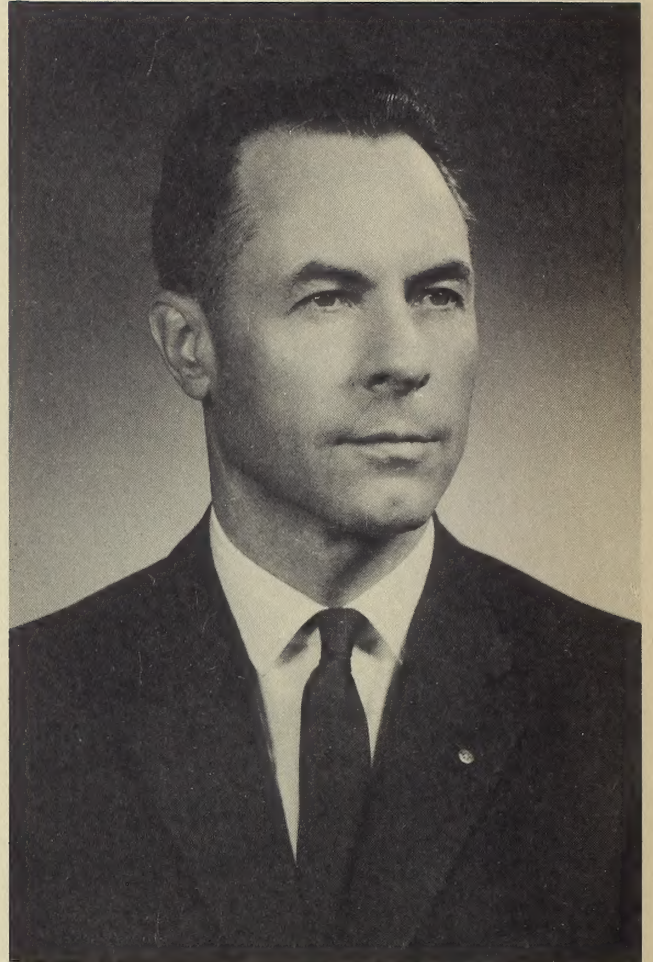
It is with a deep sense of pride and satisfaction that I present the report of another year's accomplishments to His Honor the Lieutenant Governor of the Province of Alberta.

The extensive development program and the improvement of services outlined have been made possible by the technical skills, the integrity, and the sincere loyalty of the 5,500 men and women who belong to the AGT family. Many young people have embarked on communications careers, during the year, and some of the Pioneers have reached the time of a well-earned retirement. Among the Pioneers, special tribute is due to Arthur C. Head who passed away on January 15th, after completing more than 47 years of service.

In AGT, and throughout the field of communications, each man contributes in his own way to the tremendous advances that are taking place. Today, even transmission by satellite is becoming commonplace, as messages are flashed around the world. The future holds no bounds.

A handwritten signature in blue ink, which appears to read "M. Wilson". The signature is fluid and cursive, with a large loop at the end.

THE GENERAL MANAGER'S REPORT



I am very pleased to report that the 1964-65 fiscal year was one of unprecedented growth and development for Alberta Government Telephones.

At the end of the fiscal year, our investment in telephone plant and equipment had passed the \$253 million mark. Record construction expenditures amounted to more than \$29 million, an increase of 26% over the previous year. These expenditures made possible the modernization and replacement of facilities and the extension of services throughout the Province.

By the end of the year, local service was being supplied to 350,000 subscribers, and long distance service to 500,000. Long distance messages for the year passed the 24 million mark.

Communications facilities have always played an important part in the Province's growth. A microwave system, completed during the year, is spanning the northern wilderness to make possible the development of the vast and potentially rich Fort McMurray tar sands area.

The number of farms with telephone service increased from 36,910 to 38,418. Dial conversions resulted in the addition of 4,285 dial telephones. At the end of the year, 65% of the Province's rural subscribers were enjoying the convenience of dial telephone service.

Direct Distance Dialing — already in service in the Red Deer and Lethbridge areas—was provided for the Calgary and Banff areas, during the past year. Further projects were commenced which will extend the service to include the Edmonton and Peace River areas. When these projects have been completed, in 1966, the convenience of DDD will be available to 80% of the telephone subscribers in the Province.

AGT has recognized an increasing responsibility to assure the Province of the continuity of vital communications during emergencies. For this purpose, an Emergency Operations Organization was made fully operational during the past year. This organization was designed to work in co-operation with Alberta Emergency Measures, Federal Emergency Measures, and member companies of the Trans-

Canada Telephone System. In addition, much of the construction was completed on a heavy route microwave system from the North—through Peace River, Vegreville, Lathom, and Lethbridge—to the U.S. The new system will help to assure the continuity of essential communications, in the event of a national emergency, by providing an alternate route around likely target areas.

AGT is dedicated to provide a high standard of service at a reasonable rate, and to meet the rapidly expanding communications requirements throughout the Province. In spite of general inflationary trends, there has not been a general rate increase for the past 39 years. The time has come, however, when revenue has been overtaken by operating expenses, and an application is therefore being made to the Public Utilities Board for a revision of rates.

The communications facilities necessary for the development of the Province must continue to be provided, and the capital necessary for their provision must therefore be spent. If a reduction in capital spending should be required, because of inadequate earnings, the telephone industry would not be able to keep pace with technological developments or with the growth of the Province, and a deterioration of service would be the inevitable result. A substantial lag would involve a recovery period of many years.

AGT has not only kept pace with the development of the Province in the past, but has contributed substantially toward it. The period that lies ahead promises to be one of challenge, with a rapidly accelerating demand for an ever increasing complexity and diversity of communications services. The Commission and its employees have met the challenges of the past. I am confident that they will be equal to the challenges of the period that lies ahead.

John Dadds



A construction crew braves 35° below zero weather to erect a microwave tower at Smoky Lake. The tower at present forms part of the system to Fort McMurray. With the addition of more antennas, it will also serve the bypass system from the North to the U.S.

DEPARTMENTAL REPORTS

OPERATING REVENUE

All forms of Operating Revenue for the year just completed showed increases over those of the previous year. The rate of increase in Toll Revenue continued to rise although the rate of increase in Exchange Service Revenue declined slightly.

Exchange Service Revenue totalled \$16,382,575, an increase of 5.7% over 1963-1964. Toll Revenue

amounted to \$28,276,801, an increase of 15.6% as compared to an increase of 12.9% for the previous year and 8.5% for 1962-1963. Connecting Company Revenue amounted to \$323,244, an increase of 9.8% as compared to an increase of 8.0% in the previous year. Directory Revenue increased from \$940,693 to \$1,016,752. Rental income increased by 17.9% to \$1,798,091. Other operating revenue increased slightly to \$145,781.

	April/64- March/65	April/63- March/64
Local Service Revenue (Exchange) -----	\$16,382,575	\$15,494,185
Toll Revenue -----	28,276,801	24,469,362
Connecting Company Revenue -----	323,244	294,399
Directory Earnings -----	1,016,752	940,693
Rental Income -----	1,798,091	1,524,624
Other Operating Revenue -----	145,781	140,140
	<hr/>	<hr/>
	\$47,943,244	\$42,863,403
Less: Provision for Doubtful Accounts -----	479,584	300,000
	<hr/>	<hr/>
	\$47,463,660	\$42,563,403
	<hr/>	<hr/>

OPERATING EXPENSES

All classifications of Operating Expenses increased over the previous year, but the rate of increase in all but Depreciation and Property Taxes decreased. Total Operating Expenses increased by 14.0% to \$39,655,994 as compared to 15.7% the previous year and 16.7% in 1962-1963. The major

increases, as in previous years, were in Maintenance, up 13.1% to \$11,204,793, and Depreciation, up 19.0% to \$10,071,582.

The total of Traffic, Commercial, Accounting, and General Expenses which makes up the balance of the operating costs, was \$17,292,624, an increase of 11.6% over the previous year.

	April/64- March/65	April/63- March/64
Traffic -----	\$ 6,752,276	\$ 6,304,415
Commercial -----	3,907,921	3,540,537
General -----	5,538,691	4,666,438
Property Taxes -----	1,086,995	930,765
Maintenance -----	11,204,793	9,903,079
	<hr/>	<hr/>
	\$28,490,676	\$25,345,234
Depreciation -----	10,071,582	8,462,672
Pension Fund Contribution -----	1,093,736	977,347
	<hr/>	<hr/>
	\$39,655,994	\$34,785,253
	<hr/>	<hr/>

OPERATING REVENUE
April/64 - March/65



Local Service Revenue (Exchange) 34.2

Rental Income ----- 3.7

└ Connecting Company Revenue --- 0.7

Toll Revenue ----- 59.0

┌ Directory Earnings ----- 2.1

└ Other Operating Revenue ----- 0.3

100.0

OPERATING EXPENSES
April/64 - March/65



Traffic ----- 14.1

Commercial ----- 8.2

General ----- 12.6

Pension Fund Contribution ----- 2.3

Maintenance ----- 23.5

Depreciation ----- 21.1

Property Taxes ----- 2.3

Fixed Charges ----- 15.9

100.0

INTEREST AND OTHER CHARGES

Interest charges on the long-term debt amounted to \$7,725,049, which was made up of \$1,792,451 payable to the Provincial Treasurer on funds

borrowed for capital purposes, \$5,591,306 interest on the debentures issued by the Commission, and \$76,856 bank charges. Other debt charges, principally discount on the long-term debt, amounted to \$264,436.

FIXED CHARGES

	April/64- March/65	April/63- March/64
Interest Charges -----	\$ 7,725,049	\$ 6,828,968
Less: Interest Earnings -----	123,699	172,561
	<u>\$ 7,601,350</u>	<u>\$ 6,656,407</u>

NET INCOME

The Net Income for the year amounted to \$206,316, a decrease of \$915,428.

TELEPHONE PLANT

The rapidly increasing investment in Plant and particularly in Central Office equipment continued throughout the year. Total plant increased by 13.2% to \$253,464,690, as compared to an increase of 11.5% the previous year. Central Office equipment increased by 14.6%, and exchange lines increased by 13.5%.

FINANCING

In August, 1964, \$15,000,000 in debentures at 5% maturing in August, 1969, were sold on the Canadian Market to provide part of the capital funds for the Construction Program.

Additional capital was obtained in October, 1964, through the sale of \$25,000,000 in debentures on the U.S. Market at 4¾%, maturing in October, 1989. This issue was required to retire a debenture debt of \$15,000,000, due October 15, 1964, and to provide the balance of capital funds required to complete the construction program.

Telephone Plant	March 31/65	March 31/64	Increase or Decrease
Land & Buildings -----	33,533,784	29,778,744	3,755,040
Equipment -----	145,210,720	126,604,598	18,606,122
Exchange Lines -----	42,602,054	37,536,629	5,065,425
Toll Lines -----	23,341,012	23,148,283	192,729
Office Furniture & Equipment -----	1,978,985	1,733,853	245,132
Tools, Vehicles, Etc. -----	4,188,197	3,372,185	816,012
Plant Under Construction -----	2,609,938	1,657,749	952,189
	<u>253,464,690</u>	<u>223,832,041</u>	<u>29,632,649</u>



A truck hauls a radio relay building to one of the microwave sites on the route to Fort McMurray. The new microwave system is spanning the northern wilderness to serve the tar sands area.

LONG DISTANCE

During the past year, the Traffic Department staff endeavored to further improve all aspects of customer service. With the continuance of the toll centering plan, 37 manual offices were converted to dial operation. In addition, 11 of the new dial offices were equipped for Direct Distance Dialing. A total of 361 circuits was added to the toll network to allow for the increasing requirements indicated by growth in the volume of calls.

In co-operation with the Accounting Department, Traffic introduced Mark Sense toll ticketing at Calgary, Edmonton, Lethbridge, Brooks, and Camrose, and finalized plans for its introduction at all other universal toll centres. Mechanized toll billing provides for substantial Commission savings, as compared to manual procedures. The operating forces are to be commended for the acceptance and implementation of this major project.

A total of 24,316,067 messages was completed, representing an increase of 11.4% over the previous fiscal year. A breakdown of the types of messages is as follows:

Type	Number	Percent
Paper tickets (Manual) ---	16,077,175	66.1%
Mark Sense Tickets (Mechanized) -----	4,027,408	16.6%
DDD Messages (Mechanized) -----	4,211,484	17.3%
	<u>24,316,067</u>	

Development in the Traffic Department brought about the addition of three major groups: Dial Service Administration, to more ably handle number assignment and office loading and balancing in the automatic exchanges; Traffic Personnel, to attend to the increasing administration requirements of the Department's 1,400 employees; and Facilities, Methods, and Planning, to institute primary research and development for long-range planning of traffic facilities.

MARKETING

The Marketing Division's sold revenue figure for the fiscal year ending March 31, 1965, was \$1,983,921. This represented an increase of 23% over the previous fiscal year.

The year was highlighted by the addition of a number of new services. An Automatic Call Distributor (ACD) — the first in Western Canada — was installed for Simpsons-Sears, Calgary. A second one was ordered by Air Canada, Calgary, to be installed in June, 1965. The ACD is designed for businesses handling high-volume telephone orders, and automatically distributes incoming calls among the attendants who are free to handle them.

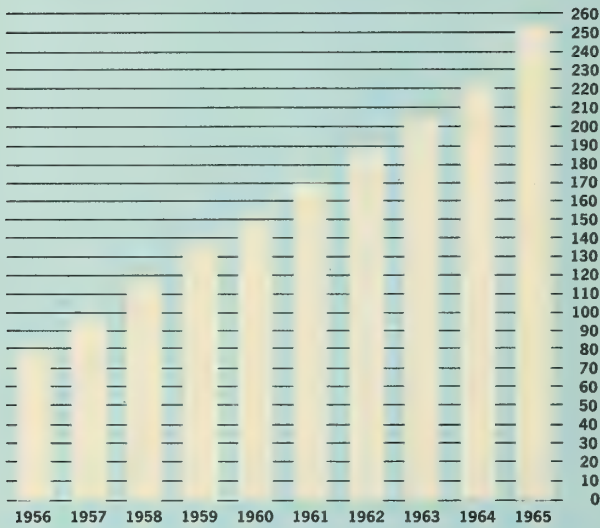
Another first, during the year, was a 12-channel Telpak system, ordered by Imperial Oil Limited to interconnect its Calgary and Edmonton offices. Telpak is a name given to a grouping of voice-grade telephone circuits. These circuits are capable of handling telephone conversations, and can be adapted to accommodate the transmission of data, facsimile, teletype, and TWX messages.

Telemetry and supervisory control facilities continued to be expanded, to serve the oil and gas industry and the utility companies. Phone-fax, introduced the previous year, was installed for a number of oil companies.

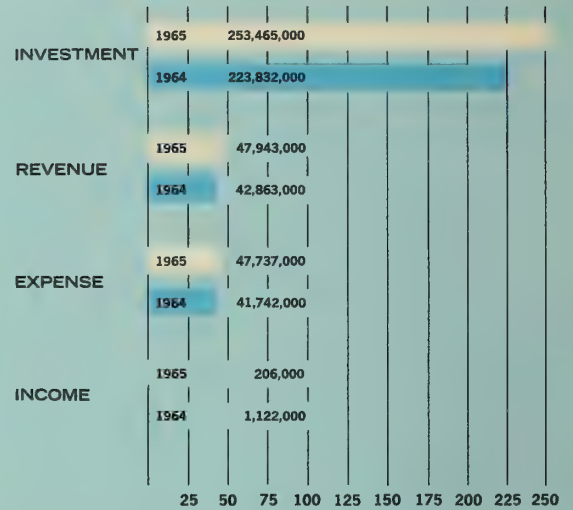
New installations contributed toward the development of the northern part of the Province. In Fort McMurray, two foreign exchange lines were put into service for Canadian Bechtel Limited, and one line for Canus Service. Other new installations in the town included a teletype, mobile radios, and PBX and PABX switchboards.

On February 1, 1965, TWX teletypewriter service was extended to more than 100 overseas countries. With the inauguration of the new service, it became possible for TWX users to reach a total of 188,000 customer locations. This made AGT's TWX system a part of the largest dial-and-type network in the world.

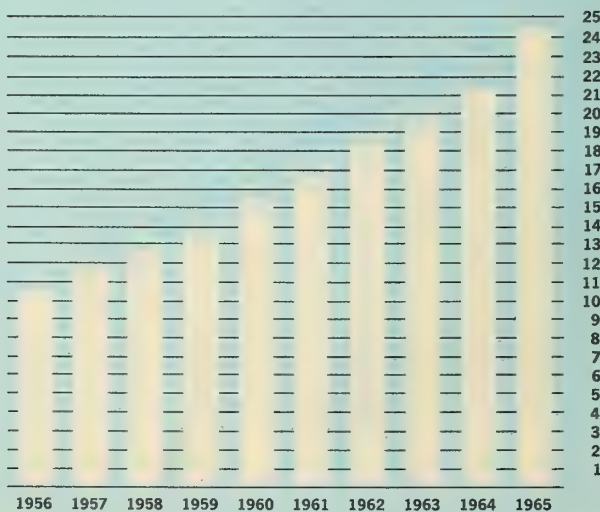
TOTAL PLANT INVESTMENT IN MILLIONS OF DOLLARS



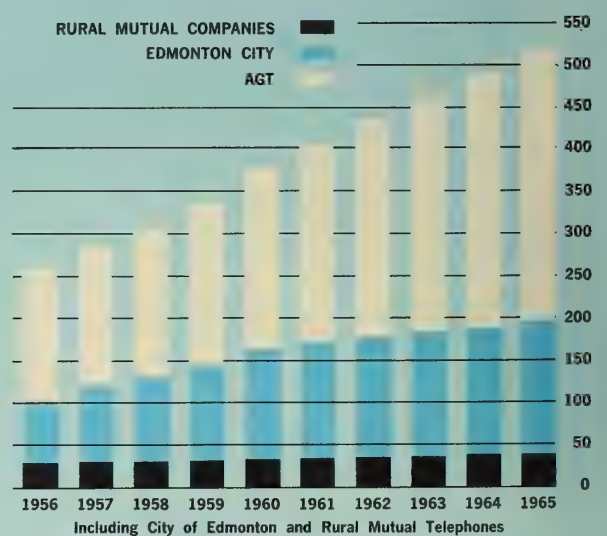
FINANCIAL PERFORMANCE
MILLIONS OF DOLLARS



NUMBER OF LONG DISTANCE MESSAGES IN MILLIONS
(AS AT MARCH 31st EACH YEAR)



DISTRIBUTION OF TELEPHONES IN THOUSANDS IN ALBERTA
(AS AT MARCH 31st EACH YEAR)



RURAL DEVELOPMENT

During the 1964-65 fiscal year, the number of Mutual Telephone Companies decreased from 1,075 to 1,059. The decrease resulted from the amalgamation of smaller Companies in the following districts: Mannville, Rowley, Bassano, Oyen, Coronation, Bashaw, Fort Saskatchewan, Milo, and Sedgewick.

The number of farms with telephone service increased from 36,910 to 38,418. Dial conversions and new installations resulted in the addition of 4,285 dial telephones. At the end of the year, 65% of the Province's rural subscribers were enjoying the convenience of dial telephone service.

Modernization of rural systems and new construction accounted for 96 Revolving Fund Loans, totalling \$1,358,255. The new loans brought the total borrowed since the inception of the Fund to \$3,642,442.

As a result of the Commission's increasing participation in rural development, the Rural Service Department moved its members from Head Office to the various areas of the Province. This made it possible for the Department to maintain closer liaison with the Mutual Companies.

DATA PROCESSING

The Commission's entry into the Electronic Data Processing field was undertaken as a result of the need for a better means of handling the increasingly complex data processing task.

The Electronic Data Processing billing volume amounted to approximately one million tolls per month, as at the close of the fiscal year. This represented an increase of approximately 140% over the previous fiscal year for computer toll output.

During the year, an order was placed for an IBM System 360 Model 30 computer to replace the IBM 1460 computer formerly in use. Consequently, the

previous schedule for the systems design and pilot operation planning for the Cash and Accounts side of the Billing and Collecting System was revised to take advantage of the advanced System 360 capabilities.

An order was also placed for an IBM System 360 Model 20 computer to replace the Electronic Accounting Machine functions of Disbursement Accounting. Systems work on this conversion was started, and it has been anticipated that over 100 programs will be required for the conversion.

PERSONNEL

The Commission had a total of 5,005 regular employees on the payroll at the end of the fiscal year—2,687 male and 2,318 female. This represented a staff increase of 432 over the previous year. In addition to regular employees, there were 577 salaried or commissioned agents and 154 occasional operators.

Time lost on account of sickness was 1.97%, a decrease of .26% over the previous year. Female employees averaged approximately .92% more lost time than male employees.

A Central Employment Office was opened in Calgary in April, 1963, and a second one was opened in Edmonton in May, 1964. During the past fiscal year, the two offices received 6,496 applications for employment. From this number, 874 employees were selected.

An extensive safety program was initiated, under the direction of a full time supervisor. The program was established to educate all staff members to employ safety practices, both on and off the job.

The loyal service and co-operation on the part of the employees, throughout the year, contributed materially to the continued expansion of the system.



The Emergency Operations Center, Red Deer, is part of a system designed to assure the Province of the continuity of essential communications during times of emergency.

PENSION FUND

At the end of the 1964-65 fiscal year, there were 4,284 employees participating in the Pension Plan—1,847 females, an increase of 781, and 2,437 males, an increase of 285, for an overall increase of 1,066 over the previous year.

During the year, there were seven retirements and five pensions terminated, for an increase of two pensions over the 12-month period. On March 31, 1965, pensions were being paid to 199 pensioners, in the sum of \$35,425.38, for an average pension of \$177.00 per month.

Securities held in the Pension Fund Investment Portfolio on March 31, 1965, consisted of Government of Canada, Provincial, Municipal, and corporate bonds with a par value of \$18,389,000.00, an increase of \$2,270,000.00 over the previous year. In addition, there was a cash balance of \$370,259.96 on hand, available for investment; \$191,778.89 accounts receivable from the Alberta Government Telephones Commission, representing Department and Employee contributions; and a further \$277,500.15 in interest accrued to the Fund.

Throughout the year, securities in the amount of \$263,000.00 either reached maturity or were called for sinking fund redemption. In addition to this recovery of investment monies for reinvestment at current interest rates, the Board traded out of \$370,000.00 short term low interest bearing securities, into an equivalent par value in issues bearing higher interest rates with a view to improving the average yield of the Fund over the medium and longer terms.

During the 1964-65 fiscal year, several important changes were made in the Pension Plan regulations.

Investments

The scope of securities authorized under the Plan was increased to permit the purchase of equity and fixed income securities considered eligible for investment by Canadian Insurance Companies within the provisions of the Canadian and British Insurance Companies Act. This allows for the purchase of a much broader diversification of securities for the Pension Fund Portfolio, making available investment in corporate bonds and debentures and in selective growth stocks having appreciation potential. As a

result, the earnings of the Fund should improve, over the medium term, to keep pace with the inflationary trend of the expanding economy.

Pension Calculations

The formula for calculating basic single life pensions was revised. Pensions are now based on two percent of the average salary for the last five years of service, multiplied by the number of years of pensionable service, up to a maximum of 35 years. The 70 percent maximum pension on a single life basis still applies. The new formula, however, brings the number of years of service required to produce a 70 percent pension in line with the statutory 35 years of contributions to the Pension Fund, after which contributions cease.

Married Female Employees

In addition to the foregoing changes in the Pension Plan, the Commission approved a major revision in employment policy which resulted in the reclassification of all married females, employed on a full time basis, from temporary to permanent staff. Consequently, more than 500 married female employees who were formerly ineligible to receive benefits under the Pension Plan were included in the Plan during the month of February, 1965. This accounts to a large extent for the sharp increase in the overall number of employees in the Plan and provides for 100 percent permanent staff participation.

FUTURE DEVELOPMENT

The extensive development program which the Commission has been carrying out is to be even further accelerated in the 1965-66 fiscal year. To accomplish this, a record sum of \$42 million has been budgeted for expansion of the system.

A major addition to the Province's microwave facilities is to be a 960-channel, heavy route system from the North—through Peace River, Vegreville, Lathom, and Lethbridge — to the U.S. The section of the system from Peace River to Lathom is to be completed in December, 1965, at a cost of \$4,547,000. The section from Lathom to Lethbridge is to be completed in January, 1966, at a cost of \$1,374,000. The new system will help to assure continuity of essential communications, in the event of a national emergency, by providing an alternate route around likely target areas.

The laying of a co-axial communications cable—the first in the Province—is to begin in June, 1965, between Red Deer and Rocky Mountain House. Total cost of the project has been set at \$520,000. Of this amount, \$200,000 is being spent on the cable itself, and almost all of the remainder is going toward multiplex equipment. Initially, the 57-mile cable will carry 88 voice circuits—40 to Sylvan Lake, 12 to Eckville, 6 to Leslieville, and 30 to Rocky Mountain House. With the addition of repeaters, the single pair of wires can be made to carry up to 960 voice circuits.

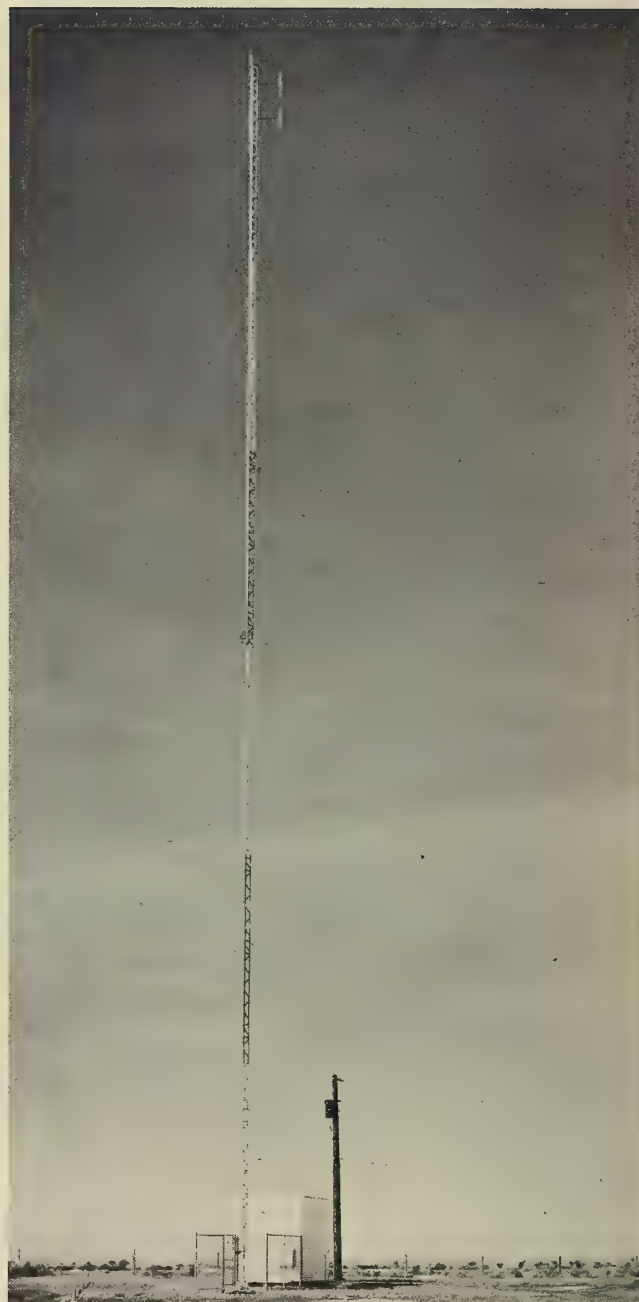
The continuous program of exchange cable construction that has been carried out in the past is to be greatly increased in the 1965-66 fiscal year. Forty rural areas are to receive underground cable. The appropriation for this work has been set at \$9,835,000, an increase of 282% over the previous year.

The greater part of the work on two Direct Distance Dialing projects will be carried out during the coming fiscal year. Peace River is to receive DDD, along with a new building and new crossbar exchange equipment, in May, 1966, at a cost of \$2,494,000. Edmonton and district are to receive DDD in September, 1966, at a cost of \$3,475,000. Automatic Number Identification will be provided, as well, both for the main exchanges and for all of the surrounding Community Dial Offices with 1,000 or more subscribers.

Thirty-six exchanges are to be converted from magneto to dial telephone service during the 1965-66 fiscal year. The conversions will result in the addition of 3,200 step-by-step lines and 11,480 crossbar installed lines. Cost of the conversions will be \$3,638,000.

In addition to the dial conversions, dial additions will be made at 60 exchanges, at a cost of \$6,506,000. They will result in the addition of 24,700 step-by-step lines and 6,800 crossbar installed lines.

AGT has been keeping pace with the development of the Province and contributing substantially toward it, in the past. The year ahead promises to be one of unprecedented progress and growth.



The final link in the Alberta Government Telephones chain of mobile radio towers in Southern Alberta was completed when the new base station at Purple Springs was turned up for service on February 4, 1965.

GOVERNMENT OF THE PROVINCE OF ALBERTA

OFFICE OF THE PROVINCIAL AUDITOR

Edmonton, July 23, 1965

The Alberta Government Telephones Commission
Edmonton, Alberta

I have audited the books and records of the Alberta Government Telephones Commission for the year ended March 31, 1965. The following statements are submitted herewith:

Statement	Particulars
A.	Balance Sheet
B.	Statement of Surplus
C.	Condensed Statement of Income
D.	Depreciation and Renewal Reserve
E.	Statement of Long Term Debt
F.	Sinking Fund Balance Sheet
	Pension and Death Benefit Fund:
G.	Balance Sheet
H.	Statement of Operations

The Alberta Government Telephones Commission was established under authority of Chapter 85, Statutes of Alberta 1958 to acquire all the assets and assume all the liabilities of the Alberta Government Telephones as at April 1, 1958.

Operations for the year, as shown in Statement C, resulted in net operating income of \$206,316.39 which was carried to the surplus account. Net adjustments applicable to previous years were credited to surplus in the amount of \$203,727.37 together with a gain on the sale of land of \$22,094.60.

Order-in-Council 680/65 provides for payment of \$500,000.00 from surplus earnings for the year 1964/65 to be made to the Provincial Treasurer under Section 14, Alberta Government Telephones Act. This authority has been reflected to the extent of \$206,316.39 being the net operating income for the year ended March 31, 1965. An amount of \$860,000.00 was appropriated for provision of sinking fund leaving a balance of \$35,820,415.62 in surplus as at March 31, 1965, retained for investment in plant, debt redemption, and working capital. Pension and Death Benefit Fund assets are subject to the comments in the certificate attached to the Pension and Death Benefit Fund Balance Sheet.

The Alberta Government Telephones Commission has the following estimated contingent liabilities which are not reflected on the Balance Sheet as at March 31, 1965:

In respect of commitments for purchase of equipment	
for future delivery	\$ 10,500,000.00
In respect of uncompleted building contracts	196,151.52

Subject to the foregoing, I certify that, in my opinion, the attached Balance Sheet is properly drawn up so as to show the true financial position of the Alberta Government Telephones Commission as at March 31, 1965, according to information and explanations given to me and as shown by the books of the Alberta Government Telephones Commission and the accompanying Condensed Statement of Income correctly sets forth the results of operations for the year ended at that date.



C. K. HUCKVALE, F.C.A.
Provincial Auditor.

BALANCE SHEET AS AT MARCH 31, 1965

ASSETS

Capital:

Telephone plant:

Real estate	\$ 33,533,783.88
Equipment	145,210,720.18
Exchange lines	42,602,053.51
Toll lines	23,341,012.18
Office furniture and fixtures	1,978,984.88
Tools, vehicles, and sundry equipment	4,188,197.06
Plant under construction	2,609,938.23

\$ 253,464,689.92
8,820,752.49

Materials and supplies

\$ 262,285,442.41

Current:

Cash on hand, in banks and treasury branches	\$ 225,433.97
Accounts receivable, less allowance for doubtful accounts ..	6,257,728.44
Prepaid expenses	900,038.12

7,383,200.53

Reserve Funds:

Depreciation and renewal reserve assets, Statement D	\$ 1,713,903.59
Pension and death benefit fund, Statement G	19,240,673.10

20,954,576.69

Trust Funds:

Government of Canada bonds

465,139.20

\$ 291,088,358.83


**GOVERNMENT OF THE PROVINCE OF ALBERTA
ALBERTA GOVERNMENT TELEPHONES COMMISSION**

Statement A

LIABILITIES

Capital:	
Long term debt, Statement E:	
Debentures payable	\$ 121,097,000.00
Deduct: Sinking fund assets, cash and investments, Statement F	3,759,699.21
	<u>\$ 117,337,300.79</u>
Advances from Provincial Treasurer	50,508,877.52
	<u>\$ 167,846,178.31</u>
Current:	
Matured debentures and coupons	\$ 154,645.95
Less: Cash provided for redemption	<u>154,645.95</u>
Bank overdraft	\$ 187,742.55
Bank loan	129,000.00
Accounts payable	6,176,034.22
Wages payable	1,193,171.88
Accrued interest, not due	1,996,276.65
Unearned revenue	986,109.05
Provincial Treasurer, surplus earnings	<u>206,316.39</u>
	10,874,650.74
Deferred Credits:	
Unamortized premium, net, on United States funds	\$ 2,235,841.61
Less: Unamortized debenture discount	<u>1,265,110.10</u>
	970,731.51
Reserves and Surplus:	
Depreciation and renewal reserve, Statement D:	
Investment in plant	\$ 50,396,967.55
Cash and investments	<u>1,713,903.59</u>
	\$ 52,110,871.14
Pension and death benefit reserve, Statement G	19,240,673.10
Sinking fund reserve, Statement F	<u>3,759,699.21</u>
	\$ 75,111,243.45
Surplus, retained for investment in plant, debt redemption and working capital, Statement B	<u>35,820,415.62</u>
	110,931,659.07
Trust:	
Employees' accounts	\$ 222,463.23
Bond instalments payable	241,475.97
Guarantee deposit	<u>1,200.00</u>
	465,139.20
	<u><u>\$ 291,088,358.83</u></u>

This is the balance sheet referred to in my report of July 23, 1965, addressed to the Alberta Government
Telephones Commission.


C. K. HUCKVALE, F.C.A.
Provincial Auditor.

Statement B

SURPLUS AS AT MARCH 31, 1965

Surplus as at April 1, 1964, retained for investment in plant, debt redemption, and working capital -----	\$ 36,454,593.65
Add:	
Adjustments applicable to previous years, net -----	203,727.37
Gain on sale of land -----	22,094.60
	<u>\$ 36,680,415.62</u>
Net operating income for the year ended March 31, 1965, Statement C -----	\$206,316.39
Less: Surplus earnings declared payable to Provincial Treasurer, Alberta Government Telephones Act, Section 14 -----	206,316.39
	<u><u>\$ 36,680,415.62</u></u>
Deduct: Appropriation for provision for sinking fund -----	860,000.00
Surplus as at March 31, 1965, retained for investment in plant, debt redemption, and working capital -----	<u><u>\$ 35,820,415.62</u></u>

Statement C

CONDENSED STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31, 1965

Operating revenue:		
Toll earnings -----	\$ 28,276,801.14	
Exchange earnings -----	16,382,575.43	
Rental income -----	1,798,090.61	
Directory -----	1,016,752.20	
Connecting companies rentals -----	323,244.38	
Miscellaneous -----	145,780.67	
	<u>\$ 47,943,244.43</u>	
Operating expenses:		
Operations -----	\$ 16,030,167.47	
Maintenance -----	11,204,792.80	
Property taxes -----	1,086,994.97	
Radio Station CKUA -----	168,720.02	
	<u>\$ 28,490,675.26</u>	
Provision for depreciation and renewal, real estate and equipment -----	10,071,582.42	
Debt service charges, net -----	7,601,349.99	
Pension fund contributions -----	1,093,736.13	
Provision for doubtful accounts -----	479,584.24	
	<u>47,736,928.04</u>	
Net operating income for the year ended March 31, 1965 ---	<u><u>\$ 206,316.39</u></u>	

DEPRECIATION AND RENEWAL RESERVE

FOR THE YEAR ENDED MARCH 31, 1965

Reserve as at April 1, 1964		\$ 46,260,109.88
Add:		
Provision during the year:		
Real estate and equipment	\$ 10,071,582.42	
Tools and trucks	459,623.64	
Radio Station CKUA	10,939.67	
	<u>\$ 10,542,145.73</u>	
Accumulated depreciation on acquired assets	64,253.31	
Interest earnings	72,280.26	
		<u>10,678,679.30</u>
		<u>\$ 56,938,789.18</u>
Deduct: Charges to reserve:		
Plant displaced, net	\$ 2,631,544.43	
Obsolete, worthless equipment and supplies		
written off	1,645,186.67	
Cost of removing plant	403,923.80	
Sundry equipment replaced, net	147,263.14	
		<u>4,827,918.04</u>
Reserve as at March 31, 1965		<u>\$ 52,110,871.14</u>
Represented by:		
Cash in bank	\$ 30,312.89	
Investments, at par value:		
Government of Canada direct and guaranteed		
bonds (market value \$1,447,575.00)	1,560,000.00	
Province of Alberta guaranteed debentures		
(market value \$110,825.00)	110,000.00	
Accrued interest	13,590.70	
		<u>\$ 1,713,903.59</u>
Plant investment		50,396,967.55
		<u>\$ 52,110,871.14</u>

STATEMENT OF LONG TERM DEBT

AS AT MARCH 31, 1965

Final Maturity Date	Rate of Interest	Call Feature	Currency	Original Advance	Amount Outstanding
(A) Debentures payable:					
(B) July 2, 1978	4 1/4 %	Callable	Canada	\$ 18,000,000.00	\$ 18,000,000.00
(C) September 1, 1979	4 3/4 %	Callable	United States	10,000,000.00	8,606,000.00
(C) March 1, 1985	5 3/8 %	Callable	United States	22,000,000.00	19,947,000.00
(D) (August 1, 1966	4 3/4 %	Non-callable	Canada	3,000,000.00	3,000,000.00
(August 1, 1981	5 1/4 %	Callable	Canada	12,000,000.00	12,000,000.00
(E) January 15, 1988	4 7/8 %	Callable	United States	20,000,000.00	19,544,000.00
August 1, 1969	5 %	Non-callable	Canada	15,000,000.00	15,000,000.00
(F) October 15, 1989	4 3/4 %	Callable	United States	25,000,000.00	25,000,000.00
					<u>\$ 121,097,000.00</u>
Deduct: Sinking fund assets, cash and investments					<u>3,759,699.21</u>
					<u>\$ 117,337,300.79</u>
(G) Advances from the Provincial Treasurer:					
December 1, 1975	3 %	—	Canada	\$ 2,000,000.00	\$ 1,064,057.19
December 1, 1976	3 %	—	Canada	5,000,000.00	2,861,512.50
December 1, 1977	3 %	—	Canada	7,000,000.00	4,279,765.10
December 1, 1978	3 1/2 %	—	Canada	8,000,000.00	5,307,460.65
December 1, 1979	3 1/2 %	—	Canada	8,000,000.00	5,596,863.30
June 1, 1980	3 %	—	Canada	16,560,141.78	10,364,165.16
December 1, 1980	3 1/2 %	—	Canada	7,000,000.00	5,141,847.13
December 1, 1981	3 1/2 %	—	Canada	10,000,000.00	7,682,996.71
December 1, 1982	4 1/2 %	—	Canada	10,000,000.00	8,210,209.78
					<u>\$ 50,508,877.52</u>
					<u>\$ 167,846,178.31</u>

- (A) Debentures payable are unconditionally guaranteed as to principal and interest by the Government of the Province of Alberta.
- (B) The Commission to make an annual sinking fund payment of \$560,000.00 to the Provincial Treasurer. Sinking fund contributions and earnings amounted to \$2,776,858.59 at March 31, 1965.
- (C) Retirement by annual sinking fund redemption. Redemptions due in the year ending March 31, 1966, amount to \$973,000.00.
- (D) The Commission to make an annual sinking fund payment of \$300,000.00 to the Provincial Treasurer. Sinking fund contributions and earnings amounted to \$982,840.62 at March 31, 1965.
- (E) Retirement by annual sinking fund redemption. Redemptions due in the year ending March 31, 1966, amount to \$479,000.00.
- (F) The Commission to make annual payments of \$500,000.00 to a sinking fund. Payments to commence on October 15, 1965.
- (G) Advances from the Provincial Treasurer are repayable on a semi-annual basis. Repayments due in the year ending March 31, 1966, amount to \$2,567,497.87.

SINKING FUND

BALANCE SHEET AS AT MARCH 31, 1965

ASSETS

Cash in bank	\$ 1,186.77
Investments, at book value	3,717,030.69
Accrued interest	41,481.75
	<u>\$ 3,759,699.21</u>

LIABILITIES

Sinking fund reserve:		
Balance as at April 1, 1964		\$ 2,720,362.64
Add: Contributions and earnings:		
Contributions	\$ 860,000.00	
Earnings from investments	179,336.57	
		<u>1,039,336.57</u>
		<u>\$ 3,759,699.21</u>

Edmonton, Alberta
July 23, 1965

I have audited the books and records of the Alberta Government Telephones Commission Sinking Fund for the year ended March 31, 1965.

Investments were verified by actual examination and are summarized hereunder:

Bonds and Debentures	Par Value	Book Value
Alberta Government Telephones Commission	\$ 3,621,400.00	\$ 3,432,849.54
Province of Manitoba	290,000.00	284,181.15
	<u>\$ 3,911,400.00</u>	<u>\$ 3,717,030.69</u>

The approximate market value of the above securities amounted to \$3,642,600.00 as at March 31, 1965. I certify that, in my opinion, the above Balance Sheet is properly drawn up so as to show the true financial position of the Alberta Government Telephones Commission Sinking Fund as at March 31, 1965, according to information and explanations given to me and as shown by the books of the Fund.



C. K. HUCKVALE, F.C.A.
Provincial Auditor.

PENSION AND DEATH BENEFIT FUND

BALANCE SHEET AS AT MARCH 31, 1965

ASSETS

Cash on hand and in bank	\$ 370,259.96
Contributions receivable	203,912.99
Investments, at par value	18,389,000.00
Accrued interest	277,500.15
	<u>\$ 19,240,673.10</u>

LIABILITIES

Pension and Death Benefit Fund Reserve:	
Employees' accounts	\$ 5,510,616.88
Employer's account	13,730,056.22
	<u>\$ 19,240,673.10</u>

Edmonton, Alberta
July 23, 1965

I have audited the books and records of the Alberta Government Telephones Commission's Pension and Death Benefit Fund for the year ended March 31, 1965.

Investments were verified by actual examination and are summarized hereunder:

Bonds and Debentures	Par Value
Government of Canada, direct and guaranteed	\$ 4,251,000.00
Provincial, direct and guaranteed	9,687,000.00
Municipal	4,277,000.00
School Districts	124,000.00
Corporation	50,000.00
	<u>\$ 18,389,000.00</u>

The approximate market value of the above securities amounted to \$17,673,420.00 as at March 31, 1965.

An actuarial survey as at December 31, 1963, indicated that the Fund as constituted would be sufficient to meet all future requirements.

I certify that, in my opinion, the above Balance Sheet is properly drawn up so as to show the true financial position of the Pension and Death Benefit Fund as at March 31, 1965, according to information and explanations given to me and as shown by the books of the Fund and the accompanying Statement of Operations correctly summarizes the transactions for the year ended at that date.



C. K. HUCKVALE, F.C.A.
Provincial Auditor.

PENSION AND DEATH BENEFIT FUND

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1965

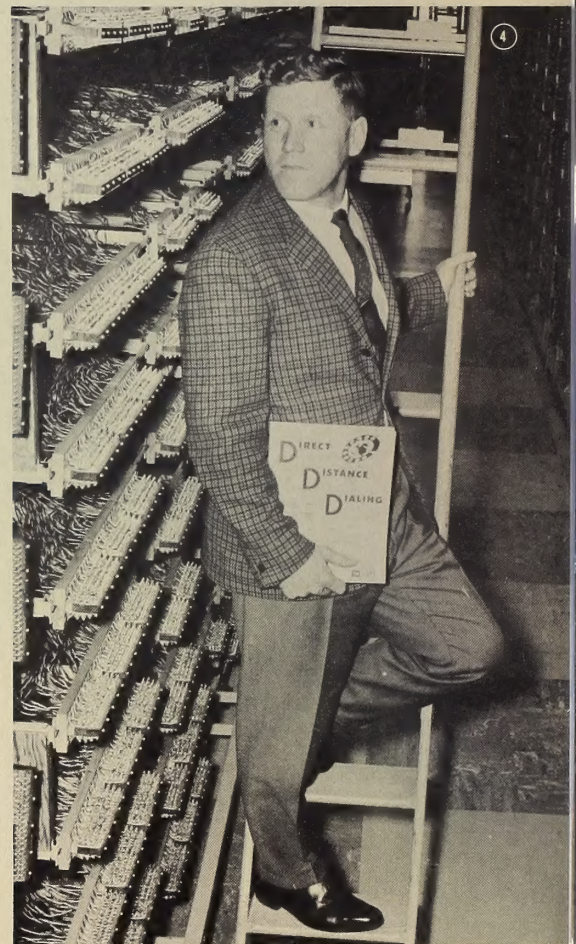
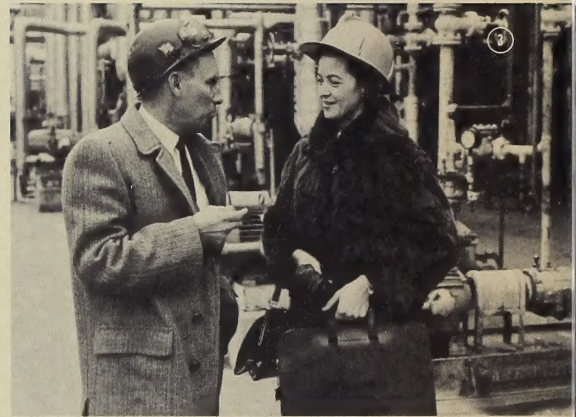
	Employees' Accounts	Employer's Account	Total
Pension and Death Benefit Fund reserve as at April 1, 1964 -----	\$ 4,709,892.06	\$ 11,961,983.86	\$ 16,671,875.92
Add:			
Contributions -----	904,313.00	1,441,286.81	2,345,599.81
Earnings -----	167,411.94	703,158.91	870,570.85
Transfers in respect of employees retiring on pension -----	42,694.11	42,694.11	—
Contributions and earnings transferred from other pension authorities, net ----	2,016.51	2,016.51	4,033.02
	<u>\$ 5,740,939.40</u>	<u>\$ 14,151,140.20</u>	<u>\$ 19,892,079.60</u>
Deduct:			
Pension payments -----	\$ —	\$ 421,083.98	\$ 421,083.98
Withdrawals -----	230,322.52	—	230,322.52
	<u>\$ 230,322.52</u>	<u>\$ 421,083.98</u>	<u>\$ 651,406.50</u>
Pension and Death Benefit Fund reserve as at March 31, 1965 -----	<u>\$ 5,510,616.88</u>	<u>\$ 13,730,056.22</u>	<u>\$ 19,240,673.10</u>

ALBERTA GOVERNMENT TELEPHONES STATISTICS

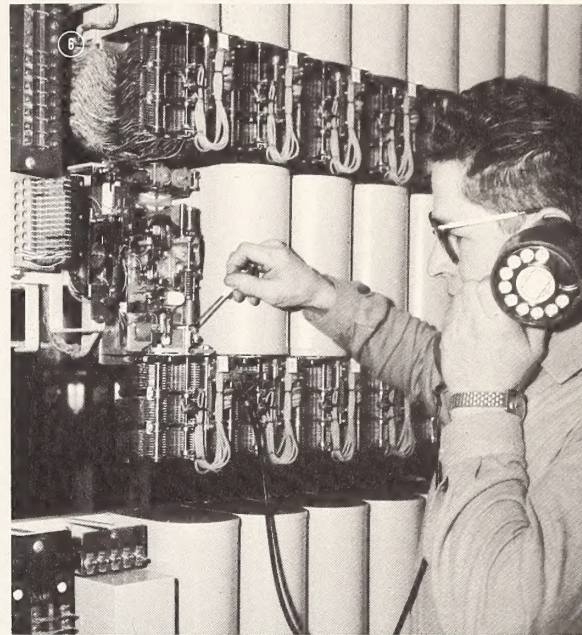
	1965	1964	1963	1962
NUMBER OF TELEPHONES				
System Owned -----	318,282	297,086	278,598	260,080
Rural Mutual Company -----	38,418	36,910	35,185	33,121
Private System -----	158,809	148,568	147,850	138,324
TOTAL -----	515,509	482,564	461,633	431,525
Percent Dial Telephones -----	93.8%	91.1%	89.0%	86.4%
TELEPHONE MOVEMENT				
Connected -----	103,742	99,195	91,703	61,420
Disconnected -----	82,546	80,707	73,185	42,224
INCREASE -----	21,196	18,488	18,518	19,196
NUMBER OF EXCHANGES	370	376	396	407
NUMBER OF TOLL OFFICES	120	136	144	155
LONG DISTANCE MESSAGES	24,316,067	21,827,542	19,319,050	18,004,331
TOTAL PLANT	253,464,690	223,832,041	200,712,715	182,252,321
TOTAL EARNINGS	47,943,244	42,863,403	37,916,352	34,396,984
TOTAL EXPENSES	47,736,928	41,741,659	35,892,229	31,004,540
NET INCOME	206,316	1,121,744	2,024,123	3,392,444
EMPLOYEES				
Men -----	2,687	2,413	2,107	1,893
Women -----	2,472	2,318	1,996	1,894
TOTAL PAYROLL	22,804,487	20,015,451	17,343,875	15,602,213

MARCH 31, 1956, TO MARCH 31, 1965

1961	1960	1959	1958	1957	1956
240,884	222,964	199,747	184,311	165,764	148,375
31,663	30,645	29,739	28,655	27,925	27,669
127,538	119,066	106,456	95,433	84,748	75,043
400,085	372,675	335,942	308,399	278,437	251,087
84.8%	83.7%	82.5%	79.9%	78.9%	78.1%
50,329	61,736	42,166	40,742	39,169	36,260
32,409	38,519	26,730	22,195	21,805	18,275
17,920	23,217	15,436	18,547	17,364	17,985
407	397	393	387	379	374
165	153	150	163	168	177
16,407,962	15,119,343	13,770,333	12,545,182	11,805,829	10,681,658
68,664,072	148,290,608	134,874,290	114,623,124	93,405,722	76,669,937
29,899,544	27,433,443	23,693,963	20,685,490	19,087,105	16,440,052
27,491,398	24,676,331	21,476,820	17,693,644	15,018,684	12,461,656
2,408,146	2,757,112	2,217,143	2,991,846	4,068,421	3,978,396
1,888	1,786	1,649	1,431	1,238	1,099
1,866	1,903	1,965	1,864	1,760	1,569
14,776,789	13,255,830	11,759,562	9,955,164	8,232,043	7,103,698



Alberta Government Telephones' daily routines of operations, during the year, found the employees and equipment in a variety of situations. 1. The AGT Teletrailer took on new assignments over and above its normal fair circuit to introduce DDD to residents of Banff, Calgary, and area. 2. An AGT portable microwave unit provided TV coverage for the Stampeder football games. 3. A Service Advisor donned a hard hat and safety equipment to bring modern communications to an industrial area. 4. Direct Distance Dialing equipment installation brought the electronic age marvel to fifteen more Alberta communities. 5. Modern displays in AGT Commercial Offices kept the general public aware of the many communications services available from the telephone company. 6. Maintenance of millions of switches, relays, and electronic apparatus kept telephone Plant staff continuously retraining to keep up with new electronic advancements. 7. The Microwave Restoral Unit was put into service to assure Albertans of the continuity of communications in times of emergency. 8. Major sports events in Alberta's mountain resort areas posed difficult problems for AGT mobile TV pick-up crews and equipment.





ALBERTA GOVERNMENT TELEPHONES

